

MINUTES OF MEETING

May 13, 2008

A meeting of the Benefits and Program Administration Committee (BPAC) was held on Tuesday, May 13, 2008, in the Robert F. Carlson Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at 10:30 a.m. and the following Committee Members were present:

Kurato Shimada, Chair Rob Feckner, Vice Chair Terrance McGuire for John Chiang George Diehr Debbie Endsley for David Gilb Henry Jones Priya Mathur Louis F. Moret Tony Oliveira

Other Board members present:

Anne Sheehan James Zerio

AGENDA ITEM 2 – APPROVAL OF THE APRIL 22, 2008 BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE MEETING MINUTES

On **MOTION** by Ms. Endsley, **SECONDED** and **CARRIED**, the minutes were approved as presented.

AGENDA ITEM 3 – LEGISLATION

Wendy Notsinneh, Chief, Office of Governmental Affairs, presented the following Assembly and Senate bills:

3-A. **Support, if amended** AB 2023 (Houston). Disability Retirement Determination. This bill would require the granting of disability retirement benefits to CalPERS members based solely on medical information. It would prohibit consideration of personnel, disciplinary, or other ancillary information in the determination process. Proposed amendments would apply the provisions of the bill to all public retirement systems and allow for the legitimate use of pertinent non-medical information.

On **MOTION** by Ms. Endsley, **SECONDED** and **CARRIED**, that the Board approve staff's recommendation of support, if amended.

3-B. **Neutral,** AB 2156 (Hernandez). Special Death Benefits. This bill would extend the special death benefit to an eligible survivor of a safety member who dies following an onthe-job-injury that left the member in a persistent vegetative state devoid of cognitive function from the date of the injury until the time of death.

On **MOTION** by Dr. Diehr, **SECONDED** and **CARRIED**, that the Board approve staff's recommendation of a neutral position.

Jim Zerio, stated that the Treasurer would urge the committee to take a support position as opposed to a neutral position.

3-C. **Support, if amended** AB 2838 (Duvall). Service Credit Purchases for Approved Absences Caused by Serious Illness. This bill would allow members to purchase service credit for an unpaid, approved leave of absence caused by a serious illness, upon his or her return to active service.

On **MOTION** by Dr. Diehr, **SECONDED** and **CARRIED**, that the Board support staff's recommendation of support, if amended.

3-D. Neutral, if amended AB 2940 (De Leon). California Employee Savings Program. This bill would establish the California Employee Savings Program to be administered by the California Public Employees' Retirement System. This would require CalPERS to offer one or more individual retirement accounts or individual retirement annuities (collectively IRAs) to California employees of a participating privatesector or non-profit employer. Proposed amendments would: (1) provide an adequate state appropriation to cover start-up costs and account for the California Employee Savings Program's "ramp-up" period; (2) require approval from the federal regulatory bodies including the United States Department of Labor, the Securities and Exchange Commission, and the Internal Revenue Service, that the IRAs or plans offered under the Program would maintain exemptions to the same extent as governmental plans; (3) grant the Board discretionary authority not to implement or suspend the program if certain conditions are not satisfied; (4) establish a continuously appropriated fund under the control of the Board to pay operating and administrative expenses; and (5) other clarifying amendments to eliminate certain mandates and provide greater flexibility to implement the Program.

On **MOTION** by Dr. Diehr, **SECONDED** and **CARRIED**, that the Board support staff's recommendation on a neutral position.

Assemblymember De Leon provided a synopsis of the measure and presented guiding principles and objectives for the bill.

Bill Duclus, Director of the Legislation for the Retired Public Employees Association (RPEA), provided comments in opposition to AB 2940 and Jim McRitchie, PERS Watch, spoke in favor of the bill.

3-E. **Support,** SB 1601 (McLeod). State Annuitant Benefits. This bill would ease the administration of the Vision Care Program for State Annuitants and allow the state's vision services provider to directly bill an annuitant whose monthly premium allowance is not enough to cover the premium cost. In addition, this bill would provide access to state retirees to the Group Legal Services Plan at their own expense.

On **MOTION** by Mr. Moret, **SECONDED** and **CARRIED**, that the Board support staff's recommendations of support.

3-F. **Neutral,** SB 1611 (McLeod). California State University Academic Employees. This bill would allow California State University (CSU) academic employees who are on a reduced pay leave or sabbatical on or after January 1, 2009 to elect to receive full service credit.

On **MOTION** by Dr. Diehr, **SECONDED** and **CARRIED**, that the Committee recommend a support position.

AGENDA ITEM 4 – STATE & SCHOOLS CONTRIBUTION RATES

David Lamoureux, Supervising Pension Actuary, presented a table of the employer contribution rates for the State and Schools for 2008/2009.

On **MOTION** by Dr. Diehr, **SECONDED** and **CARRIED**, that the Board approve State and Schools employer contribution rates for the fiscal year July 1, 2008 through June 30, 2009.

Mr. Zerio reminded the Committee that the Chief Actuary will be discussing rate smoothing in March 2009.

AGENDA ITEM 5 – STATE INDUSTRIAL DISABILITY COST REPORT

Mr. Lamoureux presented the 2006/2007 State Industrial Disability Cost Report and transmittal letter for approval.

On **MOTION** by Dr. Diehr, **SECONDED** and **CARRIED**, that the Board approve the State Industrial Disability Cost Report with the instructions to file this report with the Governor and the Legislature.

AGENDA ITEM 6 – 1959 SURVIVOR BENEFIT RATES

Ron Seeling, Chief Actuary, and Richard Santos, Senior Pension Actuary, presented the Actuarial Valuation Report for the 1959 Survivor Benefit Program as of June 30, 2007.

On **MOTION** by Mr. Jones, **SECONDED** and **CARRIED**, that the Board approve staff's June 30, 2007 Actuarial Valuation Report for the Public Agencies 1st, 2nd, 3rd, 4th, and Indexed Levels and for the State and Schools 5th level, and the adoption of the employer and employee monthly premiums for fiscal year 2008/2009.

Mr. Seeling notified the Committee that the 5th Level 1959 Survivors Benefit is due to sunset January 1, 2010, unless addressed legislatively.

AGENDA ITEM 7 – PENSION SYSTEM RESUMPTION PROJECT UPDATE

- A. Enterprise Transition Management Project Update
- B. Pension System Resumption (Technology Update)
- C. Pension System Resumption (Employer Readiness)

Ken Marzion, Interim Chief Executive Officer, provided an update on the ETM and PSR components and informed the Committee that both projects will now be governed by one steering committee. An update will be provided in June 2009 regarding reporting relationships of the two project managers.

Kristie Santos, ETM Project Manager, provided an at-a-glance handout and update on the ETM Project. Terry Bridges, PSR Project Manager, gave a report on the PSR Project along with handouts on the PSR metrics. Rand Anderson, Manager, Constituent Relations Office, gave an overview of the Public Employee Readiness Team (PERT).

AGENDA ITEM 8 – MEMBER BRANCH PERFORMANCE MEASURES

Kathie Vaughn, Assistant Executive Officer, Member and Benefit Services Branch, introduced this item. Ron Kraft, Chief, Customer Service and Education Division, Darryl Watson, Chief, Member Services Division and Donna Lum, Chief, Benefit Services Division, provided a report on the 3rd Quarter Member and Benefit Services Branch Performance Management Dashboards for the period ending March 31, 2008.

AGENDA ITEM 9 – EMPLOYER CUSTOMER INQUIRY PERFORMANCE MEASURES

Lori McGartland, Chief, Employer Services Division, presented the Employer Contact Center Summary and Employer Customer Inquiry dashboards.

AGENDA ITEM 10 – CALSTRS REGULATIONS: CAMPAIGN CONTRIBUTIONS

Gina Ratto, Deputy General Counsel, provided an update on CalSTRS' adoption of campaign contribution regulations and conflict of interest policies. The Committee requested further information be brought back regarding disclosure policies that CalSTRS and other state and local systems have adopted to increase transparency when Board members are contacted about investment transactions.

AGENDA ITEM 11 - "CALIFORNIA CONNECTS" 2008 PROPOSAL

Pat Macht, Assistant Executive Officer, Office of Public Affairs, and Ms. Notsinneh, reported on CalPERS' Ambassador Program, California Connects. An update on the program's progress and a proposal for a 2008 Ambassador Program was presented. A profile of each Board Member's districts was also handed out to show the information CalPERS provides to educate Legislators about the impact of CalPERS benefits and investments in their communities.

AGENDA ITEM 12 – CHIEF ACTUARY REPORT

Mr. Seeling, reported the American Academy of Actuaries and is considering issuing a statement to recommend an increase in social security retirement age beyond 67.

AGENDA ITEM 13 – ASSISTANT EXECUTIVE OFFICER REPORT

Ms. Vaughn discussed the AEO matrix regarding the retirement fairs and the updated brochures being used during the campaign.

AGENDA ITEM 14 – DRAFT AGENDA FOR JUNE 17, 2008 BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

The Committee accepted the draft agenda.

AGENDA ITEM 15 – PUBLIC COMMENT

There was no public comment.

The next meeting of the Benefits and Program Administration Committee is scheduled for June 17, 2008, at 8:30 a.m., in Sacramento, California.

KENNETH W. MARZION
Interim Chief Executive Officer